

IN THE UNITED STATES DISTRICT COURT  
FOR THE NORTHERN DISTRICT OF CALIFORNIA

NEILMED PRODUCTS, INC.,

No. C 06-00964 CW

Plaintiff,

v.

ORDER DENYING  
DEFENDANT'S  
MOTION TO DISMISS

MED-SYSTEMS, INC.,

Defendant.

\_\_\_\_\_ /

Defendant Med-Systems, Inc., moves pursuant to Federal Rule of Civil Procedure 12(b)(1) to dismiss this case for lack of subject matter jurisdiction under the Declaratory Judgment Act, 28 U.S.C. § 2201 or, alternatively, pursuant to the Court's discretion. Plaintiff NeilMed Products, Inc., opposes the motion. The matter was heard on January 5, 2007. Having considered all of the papers filed by the parties and oral argument, the Court DENIES Defendant's motion.

BACKGROUND

On July 12, 2004, Plaintiff filed a trademark application,

1 Serial No. 78/449,153, with the United States Patent and Trademark  
2 Office (PTO) for the mark "NEILMED'S SINUS RINSE A COMPLETE SALINE  
3 NASAL RINSE KIT (stylized)" (Sinus Rinse) for use on  
4 "pharmaceutical preparations for the treatment of nasal and sinus  
5 ailments." Pl.'s Opp. Ex. A. On December 27, 2005, Defendant  
6 filed a notice of opposition, Opp. No. 91168470, to Plaintiff's  
7 trademark application, alleging that the proposed mark is similar  
8 or identical to Defendant's earlier, competing mark "SINUCLEANSE  
9 (stylized)" (SinuCleanse), Registration No. 2,205,705. Pl.'s Opp.  
10 Ex. B ¶ 1-3. Plaintiff brought this case on February 13, 2006, to  
11 obtain declaratory judgment from this Court that the Sinus Rinse  
12 mark does not infringe on Defendant's SinuCleanse mark.

#### 13 LEGAL STANDARD

14 The Declaratory Judgment Act (DJA), 28 U.S.C. § 2201, permits  
15 a federal court to "declare the rights and other legal relations"  
16 of parties to "a case of actual controversy." 28 U.S.C. § 2201;  
17 see Wickland Oil Terminals v. Asarco, Inc., 792 F.2d 887, 893 (9th  
18 Cir. 1986). The "actual controversy" requirement of the DJA is the  
19 same as the "case or controversy" requirement of Article III of the  
20 United States Constitution. American States Ins. Co. v. Kearns, 15  
21 F.3d 142, 143 (9th Cir. 1993).

22 Under the DJA, a two-part test is used to determine whether a  
23 declaratory judgment is appropriate. Principal Life Ins. Co. v.  
24 Robinson, 394 F.3d 665, 669 (9th Cir. 2005). First, the court must  
25 determine if there exists an actual case or controversy within the  
26 court's jurisdiction. Id. Second, if so, the court must decide  
27 whether to exercise its jurisdiction. Id.

1 The Ninth Circuit has stated that trademark disputes have  
2 sufficiently ripened into an actual controversy under the DJA when  
3 "'the plaintiff has a real and reasonable apprehension that he will  
4 be subject to liability.'" Chesebrough-Pond's v. Faberge, 666 F.2d  
5 393, 396 (9th Cir. 1982) (quoting Societe de Conditionnement en  
6 Aluminium v. Hunter Engineering Co., 655 F.2d 938, 944 (9th Cir.  
7 1981)). In determining "if the threat perceived by the plaintiff  
8 is real and reasonable," the court focuses "upon the position and  
9 perceptions of the plaintiff" and "[t]he acts of the defendant  
10 [are] . . . examined in view of their likely impact on competition  
11 and the risks imposed upon the plaintiff." Id. If the plaintiff  
12 is engaged in the ongoing use of the allegedly infringing  
13 trademark, the showing of apprehension "need not be substantial."  
14 Societe de Conditionnement en Aluminium, 655 F.2d at 944. The  
15 Ninth Circuit established this approach with the caveat that the  
16 district court's exercise of its discretion under the DJA "will  
17 allow rejection of cases that are properly before the Patent and  
18 Trademark Office." Chesebrough-Pond's, 666 F.2d at 396.

19 In Brillhart v. Excess Ins. Co. of America, 316 U.S. 491  
20 (1942), the Supreme Court identified several factors for the  
21 district court to consider when determining whether to exercise  
22 jurisdiction over a declaratory judgment action, and the Ninth  
23 Circuit has affirmed that "the Brillhart factors remain the  
24 philosophical touchstone for the district court." Government  
25 Employees Ins. Co. v. Dizol, 133 F.3d 1202, 1225 (9th Cir. 1998).  
26 "The district court should avoid needless determination of State  
27 law issues; it should discourage litigants from filing declaratory  
28

1 actions as a means of forum shopping; and it should avoid  
2 duplicative litigation." Id. (internal citations omitted). The  
3 Ninth Circuit has also "suggested other considerations" in addition  
4 to the Brillhart factors that may assist in deciding whether to  
5 exercise jurisdiction, including:

6 [W]hether the declaratory action will settle all aspects  
7 of the controversy; whether the declaratory action will  
8 serve a useful purpose in clarifying the legal relations  
9 at issue; whether the declaratory action is being sought  
10 merely for the purposes of procedural fencing or to obtain  
11 a "res judicata" advantage; or whether the use of a  
12 declaratory action will result in entanglement between the  
13 federal and State court systems.

14 Id.

#### 15 DISCUSSION

16 Defendant argues that this case should be dismissed because  
17 the mere filing of a notice of opposition to a trademark  
18 registration application with the PTO is insufficient grounds to  
19 give Plaintiff a reasonable apprehension of litigation to create  
20 federal jurisdiction. Plaintiff responds that Defendant's detailed  
21 notice of opposition, especially its use of factors relevant to  
22 trademark infringement and dilution, has given Plaintiff a  
23 reasonable apprehension of being sued if Plaintiff continues to use  
24 its Sinus Rinse mark. The Court agrees.

25 Defendant relies heavily on the language in Chesebrough-Pond's  
26 that "a simple opposition proceeding in the Patent and Trademark  
27 Office generally will not raise a real and reasonable apprehension  
28 of suit." 666 F.2d at 396. In that case, the defendant sent the  
plaintiff a letter requesting that it withdraw its application to  
trademark a line of men's toiletries and cosmetics that the

1 defendant argued was "confusingly similar" to its own or it would  
2 file an opposition with the PTO. Id. at 395. The Ninth Circuit,  
3 applying the test outlined in Societe de Conditionnement en  
4 Aluminium, held that because the defendant's letter threatening to  
5 bring an opposition with the PTO "stated a prima facie case for  
6 trademark infringement . . . [i]t was reasonable to infer from [the  
7 defendant's] letter a threat of an infringement action." Id. at  
8 395-396.<sup>1</sup> Defendant here points to the fact that the defendant's  
9 threat in Chesebrough-Pond's had the actual effect of stopping the  
10 plaintiff from using its mark and the reasonableness of the  
11 plaintiff's apprehension was confirmed when the defendant brought  
12 counter-claims for trademark infringement in the plaintiff's  
13 declaratory judgment action. Id. at 396.

14 In the instant case, Defendant's notice of opposition alleged  
15 that Plaintiff's Sinus Rinse mark was "strikingly similar" to  
16 Defendant's SinuCleanse mark, that Plaintiff's mark was causing  
17 "widespread actual confusion" in consumers, that "the extent of  
18 potential confusion is substantial," that Plaintiff's advertising  
19 campaign intends to "intentionally and willfully deceive the public  
20 and free ride on [Defendant's] valuable good will," and that  
21 Plaintiff's "proposed mark is likely to cause confusion, to cause  
22 mistake, or to deceive consumers as to the sponsorship or origin of

---

23  
24 <sup>1</sup> "A valid, registered trademark entitles the holder to  
25 prevent others from using the mark where (1) 'such use is likely to  
26 cause confusion, or to cause mistake or deceive,' 15 U.S.C. §  
27 1114(1)(a) (so-called 'trademark infringement'), or (2) 'such use  
28 . . . causes dilution of the distinctive quality of the mark,' 15  
U.S.C. § 1125(c)(1) (so-called 'trademark dilution')." Au-Tomotive  
Gold, Inc. v. Volkswagen of America, Inc., 457 F.3d 1062, 1067 (9th  
Cir. 2006).

1 [Plaintiff's] and/or [Defendant's] goods and services." Pl.'s Opp.  
2 Ex. B. Like the defendant in Chesebrough-Pond's, Defendant in this  
3 case invoked the language of trademark infringement and dilution,  
4 which could give Plaintiff a reasonable apprehension that Defendant  
5 would sue Plaintiff if Plaintiff continues to use its Sinus Rinse  
6 mark. From the Plaintiff's perspective, the risk of continuing to  
7 use its mark under these circumstances, for the years it may take  
8 to the PTO to address Plaintiff's application, is substantial. In  
9 the event that it is eventually determined that the Sinus Rinse  
10 mark infringes upon the SinuCleanse mark, Plaintiff could face  
11 years of relinquished profits.

12 The differences between this case and Chesebrough-Pond's upon  
13 which Defendant relies, namely that Plaintiff has "not ceased using  
14 the mark at issue" and Defendant has not filed any counter-claims,  
15 do not save this case from the result in Chesebrough-Pond's.  
16 Defendant is correct that in Chesebrough-Pond's the defendant's  
17 actions subsequent to its letter creating the threat of litigation  
18 "bolstered" the reasonableness of the plaintiff's perception.  
19 However, the court's decision as to jurisdiction under the DJA did  
20 not depend upon this point. See Chesebrough-Pond's, 666 F.2d at  
21 397. Also, the fact that Plaintiff's use of the allegedly  
22 infringing mark is ongoing actually makes the burden of showing  
23 apprehension lower. See Societe de Conditionnement en Aluminium,  
24 655 F.2d at 944.

25 Further, although Defendant has not yet filed any counter-  
26 claims, it has not agreed not to sue Plaintiff over the Sinus Rinse  
27 mark. As the Ninth Circuit in Societe de Conditionnement en  
28

1 Aluminium stated:

2 It is not relevant that [the defendant] attempted to  
3 withdraw its 'threat' after the filing of this lawsuit.  
4 We do think it relevant, in the light of the  
5 circumstances, that [the defendant] has not indicated that  
6 it will not sue [the plaintiff] for infringement or in any  
other manner agree to a non-adversary position with  
respect to the patent. Thus, dismissal of this suit would  
leave [the plaintiff] with the "Damoclean threat" of  
litigation hanging over its head.

7 655 F.2d at 945. Defendant's notice of opposition makes clear that  
8 it believes that Plaintiff's Sinus Rinse mark infringes and dilutes  
9 Defendant's registered SinuCleanse mark and Defendant has done  
10 nothing to "dispel such an inference." Chesebrough-Pond's, 666  
11 F.2d at 397. The fact that Defendant has not yet acted upon its  
12 veiled threat does not erase the threat's effect.

13 Defendant cites a multitude of cases from other circuits in  
14 support of its argument that merely filing a notice of opposition  
15 with the PTO generally does not create a reasonable apprehension of  
16 litigation. These cases stand for the proposition that an  
17 opposition to the registration of a trademark is directed at the  
18 registration, not to infringement of the opposer's mark, and thus  
19 does not in itself give rise to a "reasonable apprehension" of  
20 being sued for trademark infringement in federal court. These  
21 cases do not address the situation where an opposition also pleads  
22 a case for trademark infringement or dilution, as Defendant's does.

23 Defendant contends that this Court's recent decision in  
24 Freecyclesunnyvale v. Freecycle Network, Inc., 2006 WL 870688 (N.D.  
25 Cal. April 04, 2006), demands a finding that Plaintiff could not  
26 have a reasonable apprehension of litigation based on the instant  
27 facts. In Freecyclesunnyvale, this Court concluded that the

1 defendant's emails instructing the plaintiff to cease using its  
2 allegedly infringing mark, or the defendant would report the  
3 plaintiff to Yahoo! for "trademark and copyright infringement,"  
4 gave the plaintiff a reasonable apprehension of litigation. Id. at  
5 \*4. There, the defendant actually followed through with its threat  
6 and had the plaintiff's website shut down, denying the plaintiff  
7 the opportunity to continue to use its mark. Id. Defendant's  
8 argument that the operative facts in Freecyclesunnyvale are  
9 stronger than those in the instant case does not avail it. As in  
10 Chesebrough-Pond's and Freecyclesunnyvale, Defendant expressed in  
11 the clear terms of trademark infringement its opposition to  
12 Plaintiff's use of its Sinus Rinse mark. In fact, here, the threat  
13 is more substantial. Instead of reporting Plaintiff to a private  
14 entity or merely threatening to bring an opposition proceeding  
15 before the PTO, Defendant actually filed an opposition with the PTO  
16 alleging intentional trademark infringement and dilution by  
17 Plaintiff.

18 Finally, in addition to finding that an actual controversy  
19 exists, the Court must decide whether to exercise its jurisdiction  
20 over this case, considering the factors in Brillhart and Drizol.  
21 In the instant case, there are no state law issues, only federal  
22 trademark issues. There is no evidence of duplicative litigation,  
23 only this declaratory action and the pending opposition proceeding  
24 with the PTO. Despite Defendant's argument to the contrary, the  
25 mere commencement of federal litigation does not constitute forum-  
26 shopping or procedural fencing, however expensive litigation might  
27 be. Moreover, this declaratory action would "settle all aspects of  
28

1 the controversy" and "serve a useful purpose in clarifying the  
2 legal relations at issue." There is no need to wait perhaps years  
3 for the PTO to decide on the registration of Plaintiff's Sinus  
4 Rinse mark in order to resolve the issue of whether Plaintiff's  
5 mark infringes on Defendant's SinuCleanse mark. Defendant can  
6 bring an action for infringement regardless of the PTO's  
7 determination. See Goya Foods, Inc. v. Tropicana Products, Inc.,  
8 846 F.2d 848, 853-54 (2nd Cir. 1988)(outcome of PTO proceeding does  
9 not affect legal determination of infringement claim; district  
10 court must still independently decide validity and priority of  
11 marks and likelihood of consumer confusion). Therefore, the Court  
12 will exercise its discretion to take jurisdiction over this  
13 declaratory judgment action in order to resolve the trademark  
14 infringement and dilution claims raised by Defendant in its notice  
15 of opposition before the PTO.

## 16 CONCLUSION

17 For the forgoing reasons, the Court DENIES Defendant's motion  
18 to dismiss (Docket No. 22).

19  
20 IT IS SO ORDERED.

21  
22  
23 Dated: 1/10/07



24 CLAUDIA WILKEN  
25 United States District Judge  
26  
27  
28